



Phillips, Salmi & Associates, LLC
Certified Public Accountants

MIDWEST FOOD BANK, NFP
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2015

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Phillips, Salmi & Associates, LLC
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Midwest Food Bank, NFP
Bloomington, Illinois

We have audited the accompanying financial statements of Midwest Food Bank, NFP (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets --modified cash basis as of December 31, 2015, and the related statements of support, revenue, and expenses and changes in net assets --modified cash basis, functional expenses - modified cash basis, and cash flows - modified cash basis, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets – modified cash basis of Midwest Food Bank, NFP as of December 31, 2015 and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Phillips, Salmi & Associates, LLC

Washington, Illinois
August 24, 2016

MIDWEST FOOD BANK, NFP
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS
DECEMBER 31, 2015

ASSETS

Cash and cash equivalents	\$	1,698,737
Inventory		10,562,401
Land, buildings and equipment (net)		<u>7,858,852</u>
 TOTAL ASSETS	 \$	 <u><u>20,119,990</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Line of credit	\$	898,464
Other liabilities		1,850
Notes payable		<u>567,799</u>
 TOTAL LIABILITIES		 <u>1,468,113</u>
Net Assets		
Unrestricted		18,448,334
Temporarily restricted		<u>203,543</u>
 TOTAL NET ASSETS		 <u>18,651,877</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$	 <u><u>20,119,990</u></u>

See accompanying notes.

MIDWEST FOOD BANK, NFP
STATEMENT OF SUPPORT, REVENUE, EXPENSES AND
CHANGES IN NET ASSETS - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
PUBLIC SUPPORT AND REVENUE			
Contributions			
General public	\$ 3,355,551	\$ 413,975	\$ 3,769,526
Donated food, vehicles, equipment and services	119,069,081	-	119,069,081
Special events revenue	491,967	-	491,967
Less: costs of direct benefits to donors	(163,026)	-	(163,026)
Net revenue from special events	<u>328,941</u>	<u>-</u>	<u>328,941</u>
Other income			
Interest	321	-	321
Rent	46,200	-	46,200
Other	98,732	-	98,732
Net assets released from restrictions	<u>340,150</u>	<u>(340,150)</u>	<u>-</u>
Total Public Support and Revenue	<u>123,238,976</u>	<u>73,825</u>	<u>123,312,801</u>
EXPENSES			
Program services	126,183,792	-	126,183,792
Management and general	732,876	-	732,876
Fundraising	<u>270,976</u>	<u>-</u>	<u>270,976</u>
Total Expenses	<u>127,187,644</u>	<u>-</u>	<u>127,187,644</u>
CHANGE IN NET ASSETS	(3,948,668)	73,825	(3,874,843)
NET ASSETS - BEGINNING	<u>22,397,002</u>	<u>129,718</u>	<u>22,526,720</u>
NET ASSETS - ENDING	<u><u>\$ 18,448,334</u></u>	<u><u>\$ 203,543</u></u>	<u><u>\$ 18,651,877</u></u>

See accompanying notes.

MIDWEST FOOD BANK, NFP
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (3,874,843)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	726,960
Non-cash donation of equipment	(101,158)
Loss on disposal of equipment	5,626
Contributions restricted for long-term investment	(127,285)
Decrease in operating assets	
Inventory	<u>4,113,115</u>
Net cash provided by operating activities	<u>742,415</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisitions of property and equipment	<u>(435,245)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from contributions restricted for investment in land, buildings & equipment	127,285
New borrowings	
Line of credit	250,000
Debt reduction	
Line of credit	(340,000)
Notes payable	<u>(94,285)</u>
Net cash used in financing activities	<u>(57,000)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	250,170
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,448,567</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,698,737</u></u>
SUPPLEMENTAL DATA	
Cash paid for interest	<u><u>\$ 46,550</u></u>

See accompanying notes.

MIDWEST FOOD BANK, NFP
STATEMENT OF FUNCTIONAL EXPENSES -
MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2015

	Program Services	Management and General	Fundraising	Total Expense
Wages	\$ 416,533	\$ 395,803	\$ 128,274	\$ 940,610
Payroll taxes	32,789	30,992	10,144	73,925
 Total payroll costs	 449,322	 426,795	 138,418	 1,014,535
Donated food and supply expense	122,804,776	-	-	122,804,776
Contributed management salaries	22,500	90,000	37,500	150,000
Contributed professional truck driver services	104,469	-	-	104,469
Purchased food	450,464	-	-	450,464
Fuel	246,394	-	-	246,394
Professional fees	-	27,078	-	27,078
Supplies	225,298	38,102	-	263,400
Telephone	28,159	22,413	6,977	57,549
Postage and shipping	361,735	19,039	-	380,774
Occupancy	28,512	-	-	28,512
Equipment rent and maintenance	225,813	-	-	225,813
Interest	44,222	2,328	-	46,550
Insurance	134,758	7,093	-	141,851
Utilities	207,161	10,902	-	218,063
Advertising/promotional/events	-	-	71,919	71,919
Purchased services	81,971	4,314	-	86,285
Travel	52,422	-	-	52,422
Miscellaneous	25,204	48,464	16,162	89,830
 Total expenses before depreciation	 125,493,180	 696,528	 270,976	 126,460,684
Depreciation	690,612	36,348	-	726,960
 TOTAL EXPENSES	 <u>\$ 126,183,792</u>	 <u>\$ 732,876</u>	 <u>\$ 270,976</u>	 <u>\$ 127,187,644</u>

See accompanying notes.

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Organization and Reporting Entity

Midwest Food Bank, NFP (Organization) is a nonprofit organization, which bestows food and supplies to individuals and organizations in Illinois, Indiana, Florida, Georgia and Kenya, as well as providing disaster relief across the United States for those areas impacted by natural disasters.

B) Basis of Accounting

The Organization's records are maintained and the financial statements are prepared on the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America, which require that revenues be recognized when earned and expenses be recognized when an obligation is incurred, regardless of when cash is received or disbursed.

C) Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These net assets classifications are described as follows:

Unrestricted Net Assets – not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Directors.

Temporarily Restricted Net Assets – subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or become unrestricted at the date specified by the donor. Restricted assets that satisfy the stipulation in the same year in which they are received are classified as unrestricted net assets.

Permanently Restricted Net Assets – subject to donor-imposed stipulations that they be retained and invest permanently by the Organization. The Organization has no permanently restricted net assets.

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS – Continued

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D) Accounting Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

E) Cash and Currency Exchange

The functional currency of the Institution is U.S. dollars. African transactions and balances were converted to U.S. dollars using a monthly average conversion rate. Building purchases were converted at their historical rate or the exchange rate at December 31, 2015.

F) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in cash and cash equivalents.

G) Land, Building and Equipment

Land, buildings and equipment are stated at cost or if donated, at the fair value at the date of donation. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Depreciation expense for year ended December 31, 2015 totaled \$726,960. Depreciation is computed on the straight line basis of depreciation over the estimated useful lives of the assets as follows:

Building	40 years
Building improvements	15 years
Warehouse equipment	7-10 years
Trucks and trailers	5-10 years
Office furniture and equipment	5 years
Computer equipment and software	5 years

H) Donations-In-Kind

Contributed food and supplies received by the Organization are recorded as income along with a corresponding charge to expense or inventory. Donations-in-kind of food and supplies recognized in the financial statements for the year ended December 31, 2015 were \$122,804,776.

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS – Continued

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributed vehicles and equipment received by the Organization and to be used by the Organization are recorded as income along with a corresponding charge to equipment. Donations-in-kind of vehicles and equipment recognized in the financial statements for the year ended December 31, 2015 were \$101,158.

Contributed services of professional truck drivers, accounting, and executive management are recognized as in-kind revenues at the estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated; these amounted to \$254,469 for the year ended December 31, 2015.

Over 13,563 people participated in the Organization's volunteer program during the year ended December 31, 2015. Community members volunteered in many capacities. A dollar valuation of their efforts is not included in the financial statements because it does not meet the criteria for recognition. However, volunteer hours for the year ended December 31, 2015 were approximately 132,300.

I) Inventory

Inventory is stated as estimated fair market value based upon published prices, vendors, donors and other sources. Generally, inventory on hand is tracked and valued based on value per pallet depending upon the specific food or supply item. The method is applied consistently. The per pallet valuation is reassessed annually utilizing the most relevant cost information available.

J) Income Taxes

Midwest Food Bank is a not-for-profit corporation and claims exemption from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of State tax codes. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization believes there are no significant uncertain tax positions resulting in liabilities that would have been required to be recorded for the year ended December 31, 2015.

The Organization conducts business in the U.S. and, as a result, files income tax informational returns for the U.S. and Illinois. In the normal course of business, the Organization is subject to examination by taxing authorities. The Organization's income informational returns for years subsequent to December 31, 2012 are open, by statute, for review by authorities. However, at present, there are no ongoing income tax audits or unresolved disputes with the various tax authorities that Midwest Food Bank currently files or has filed with.

MIDWEST FOOD BANK, NFP
 NOTES TO FINANCIAL STATEMENTS – Continued

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

K) Subsequent Events

Subsequent events are events or transactions that occur after the statement of assets, liabilities and net assets – modified cash basis date but before financial statements were issued. These events and transactions either provide additional evidence about conditions that existed at the date of the statement of assets, liabilities, and net assets – modified cash basis, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the statement of assets, liabilities, and net assets – modified cash basis but arose after that date (that is, non-recognized subsequent events).

The Organization has evaluated subsequent events through August 24, 2016, which was the date the financial statements were available for issuance, and determined that there were no significant non-recognized subsequent events through that date.

L) Functionalization of Expenses

The costs of providing the various programs and supporting series are summarized on a functional basis in the statement of activities. Accordingly, specific expenses are charged directly to the related programs and general expenses are allocated to the various programs and supporting services based on employee time studies.

2) LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of:

Land	\$	826,095
Buildings and improvements		7,135,972
Warehouse equipment		765,722
Trucks and trailers		2,250,193
Freezers		745,756
Office and miscellaneous equipment		154,397
		<hr/>
		11,878,135
Less accumulated depreciation		4,019,283
		<hr/>
Property and equipment, net	\$	<u>7,858,852</u>

MIDWEST FOOD BANK, NFP
 NOTES TO FINANCIAL STATEMENTS – Continued

3) DEBT

LINE OF CREDIT, \$1,000,000, interest due quarterly at 3.25%, secured by real property in McLean County, maturity date of July 8, 2019.	\$ <u>898,464</u>
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NOTES PAYABLE

TERM NOTE \$600,000, interest at 2.75%, 59 monthly installments of \$5,736, including interest, with final payment due on October 26, 2017. Secured by real property in Tazewell County	\$ 421,493
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TERM NOTE \$200,000, interest at 3.0%, monthly installments of \$3,598, including interest, with final payment due on July 15, 2019.	<u>146,306</u>
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Total	<u>\$ 567,799</u>
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The future minimum payments on the above notes payable are as follows:

	2016	\$	97,039
	2017		404,198
	2018		41,732
	2019		<u>24,830</u>
		\$	<u>567,799</u>

4) RESTRICTIONS ON NET ASSETS

Donations totaling \$470,475 were received during 2015 restricted for food distribution, Tender Mercies program, construction at Georgia facility and purchase of trailers. At the end of the year remaining temporarily restricted net assets consisted of \$40,319 food distribution, \$35,939 Tender Mercies, \$71,972 for purchase of trailers and \$55,313 for construction at Georgia facility.

MIDWEST FOOD BANK, NFP
 NOTES TO FINANCIAL STATEMENTS – Continued

5) RELATED PARTY TRANSACTIONS

Midwest Food Bank may purchase goods or services from companies that are affiliated with or owned by Board members directly or indirectly. Generally, items and services are purchased using a competitive process. Insurance coverage was brokered through an agency owned by a Board member during the year ended December 31, 2015. The related commissions, if any, are immaterial to the financial statements. The Organization also borrows money from a bank where a Board member is a stockholder and director. The interest expense from this loan is \$24,768 for the year ended December 31, 2015.

6) LEASING ACTIVITIES

The Organization leases a portion of their commercial buildings to third parties. The future minimum rental income is \$22,200 for the year ended December 31, 2016.

During 2014, the Organization entered into a lease for use of a warehouse facility for food storage at the Bloomington location. Under the terms of the lease, the Organization is required to make a set monthly payment through June 30, 2016.

During 2014, the Organization entered into a land lease agreement at the Kenya location. Under the terms of the lease, the Organization is required to make a fixed annual payment of through October 31, 2034. At the end of the lease period, the ownership of the building built on the leased land shall be transferred to the lessor for 20,000 Kenya Shillings.

During the year ended December 31, 2015, the total lease expense was \$28,512. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2015:

	2016	\$	14,266
	2017		10
	2018		10
	2019		10
	2020		10
	Later		126
			<hr/>
Total		\$	<u>14,432</u>